

FORM B (for audit report with modified opinion)

1.	Name of the company	Technofab Engineering Limited
	Annual financial statements for the year ended	31 March, 2022 (Standalone
	Type of Audit qualification	The audit qualifications inter alia includes that the Company has defaulted in repayment of loan and interest payments. Due to fund constraints and other reasons the company has not been able to complete projects as expected, resulting in invocation of bank guarantees / performance guarantees. These events or conditions, along with other matters, indicates that a material uncertainty exist that may cast significant doubt on the Company's ability to continue as a going concern.
	Frequency of qualification	Financial 2019-20, 2020-21 & 2021-22
	Draw attention to relevant notes in the annual financial statements and management response to the qualification:	<u>Qualifications:</u> Attention has been drawn to certain notes to the standalone / financial statements with regard to multiple significant uncertainties faced by the Company such as: (a) Non availability of funds from banks, declaration of loans as NPA and uncharged interest due to NPA. (b) Poor recovery from debtors. (c) Invocation of performance guarantees / bank guarantees. (d) Litigation with debtors. (e) Balance of Trade Receivables being subject to confirmation The impact of the above matters, if any on the standalone / financial statements is presently not ascertainable. The Notes comprises of the following: 1. The Company was unable to complete various projects in time, performance bank guarantees of the Company were also invoked by other parties, and non-recovery of its funds due to various reasons and hence defaulted on repayment of

dues to lenders, consequently the lenders have classified the loan balances of the Company as non-performing assets.

2. Consequently, upon the account become NPA, the banks have stopped charging interest from July-2019. As per our calculation unprovided/uncharged interest for the quarter ended 31.03.2022 is Rs. 998.77 Lakhs and total unprovided/uncharged interest from July-2019 to March 2022 is Rs.10299.59 Lakhs.
3. The Company has incurred significant losses during the period ended 31st March 2022 and also in the previous periods/years further the net worth of the company is Negative as at 31st March 2022. The Company has delayed/defaulted in payment of loans and interest and loan accounts have been classified as non-performing assets by banks. Due to fund constraints and other reasons the company has not been able to complete projects as expected, resulting to invocation of bank guarantees / performance guarantees. The Company has received the notices from IDBI Bank and State Bank of India u/s 13(2) of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act.2002, for recovery of defaulted payment of loan and interest. Notwithstanding the above, the Standalone financial statements of the Company have been prepared on going concern basis as management believes that the Company would be able to ultimately establish profitable operations, meet its commitments and reduce debt.

The detailed audit qualification(s) will appear in the Annual Report for the financial year ended 31st March, 2022 will be submitted with stock exchanges in accordance with regulation 34 of SEBI (LODR) Regulations.

Management Response:

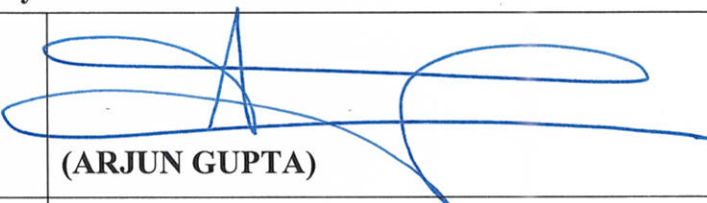
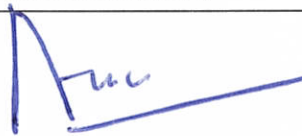
The Board / Audit Committee has following explanations on the above mentioned qualification(s):

The block contains four handwritten marks in blue ink. At the top left is a star-like signature. At the top right is a cursive signature. At the bottom left is a simple 'L' shaped mark. At the bottom right is a stylized 'M' shaped mark.

		1. In view of the management, in F.Y. 2019, the Company was unable to secure growth capital from its lenders which directly led to delay in supply of materials to site and was unable to send site funds to its project sites directly impacting requisite project progress which led to termination of several Contracts and invocation of Bank Guarantees which led the accounts turning NPA. Since then, the Company has been operating as a "Going Concern" through a "Holding on Operations" facility extended by its Lenders. 2. Thereafter, the Company has submitted a Restructuring Proposal (RP) to its lenders in accordance with the guidelines issued by the Reserve Bank of India. The RP is under consideration by the consortium member banks and the Company is hopeful of restructuring its lending facilities with the Lenders. 3. Further the Company has extended credit to customers in normal course of business as per the terms and condition of the Contracts entered into with its customers. Outstanding customer receivables are regularly monitored as per the terms of payment defined in the various contracts / projects under execution. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are mainly Government PSU Customers and that most of its projects are funded by multi-lateral funding agencies such as the World Bank, Asian Development Bank, etc. The Company has also taken advances and security deposits from its customers to mitigate the credit risk to an extent. 4. The Company during the course of project executing regularly follows-ups with the customers for the recovery of the debtors based on payment terms defined in the various Contracts entered into with respective Customers. 5. Since the Contracts entered into by the Company are for EPC Infrastructure Projects in the water and electrical sectors, they are generally executed over a period of 2 years to 5 years. As per management observation, several of these projects get delayed for various reasons that are beyond the control of the
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		Company such as non-availability of working fronts, non-availability of unincumbered sites, land acquisition issues, forest clearances, changes in local / state / central taxes, health pandemics due to which certain sites remain closed for extended period of times, etc. all of which result in eventual delay in receipt of funds and / or reduction in debtors. 6. In some case, wherein the Company believes that the Customer has wrongly terminated a Contract or invoked the bank guarantee or illegally applied liquidated damages, the Company has filed litigation / entered into arbitration with those Customers.
	Additional comments from the board / audit committee chair:	-
To be signed by-		
	•Managing Director	 (ARJUN GUPTA)
	•CFO	 (SHIAM NARAIN TANDON)
	•Auditor of the company	For G. C. AGARWAL & ASSOCIATES CHARTERED ACCOUNTANTS  G. C. AGARWAL
	•Audit Committee Chairman	 (ARUN MITTER)

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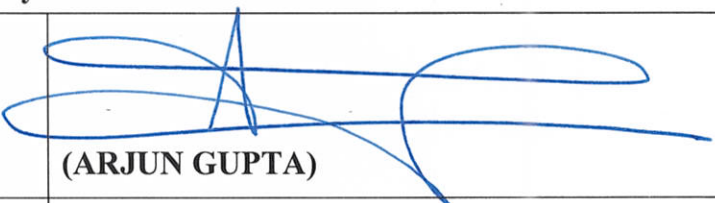
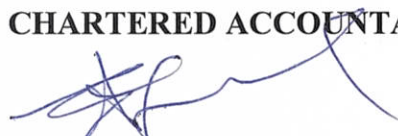
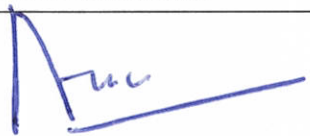
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